

1964

CONGRESSIONAL RECORD — SENATE

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ing will not count as another appearance; and with the further understanding that the remarks by the distinguished Senator from Alaska will appear elsewhere in the Record.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GRUENING. I thank the distinguished Senator from South Carolina for

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interest per annum with a moratorium on the payment of interest for 1 year and a moratorium on the repayment of principal for 5 years.

Last week I suggested to Administrator Foley that we should be at least as generous with borrowers here at home as we have been with borrowers under our foreign aid program where we loan huge sums at three-fourths of 1 percent interest with a 40-year repayment and a 10-year moratorium on the repayment of principal.

Under the law governing the small business program, the Administrator can set the interest rate for loans at any rate from 0 percent to a maximum of 3 percent. I have asked the Administrator to equate our domestic loan program with that of our foreign aid loan program and set the interest rate on small business disaster loans in Alaska at three-fourths of 1 percent per annum. To do less is to act unjustly to our own citizens.

I have today renewed my request to Administrator Foley citing instances of direct loans by the United States to private industry abroad in sizable sums at three-fourths of 1 percent interest per annum, repayable in 40 years with a moratorium on the repayment of principal for 10 years.

I ask unanimous consent that the letter to Administrator Foley, in which the request is made, be printed in the Record at the conclusion of my remarks.

There being no objection, the letter was ordered to be printed in the Record, as follows:

U.S. SENATE,

Washington, D.C., April 24, 1964.

MR. EUGENE P. FOLEY,
Administrator, Small Business Administration, Washington, D.C.

DEAR MR. FOLEY: Yesterday at the meeting of the Federal Reconstruction Commission for Alaska you brought up my efforts to secure the same interest rate of three-fourths of 1 percent per annum on small business loans in disaster areas of Alaska as the United States has charged for development loans under the foreign aid program. I sought to distinguish these foreign loans

from your domestic small business loans on the ground that the foreign loans were made directly to foreign governments and not to the private sector of the foreign economy.

After the meeting, when I informed you that you were mistaken, you said that if I could produce the evidence that some of these three-fourths of 1 percent loans were made to the private sector of the foreign countries, you would feel that you could modify your position from your declared intent of requiring the maximum interest rate prescribed by law (3 percent per annum) for small business loans made in the disaster areas in Alaska.

The evidence you desired is set forth in detail below.

In the first place, the foreign governments to which three-fourths of 1 percent loans are made are merely the conduits of those loans to the business and industrial sectors of those countries. True, many of those foreign governments—not having our American concept of free enterprise—may retain a part control or a nominal control of those industries and businesses or may own and operate them. But in essence loans to foreign countries to be used in the industrial sector of their economies produce precisely the same effects as loans by the Small Business Administration in the United States and are identical in nature with our loans—they help produce jobs for individuals, profits for stockholders, and economic wealth for the country.

If form rather than substance is the stumbling block to your modifying your stand, I could suggest a sizable loan to the State of Alaska or to the Alaska Development Corporation—the political equivalent of foreign governments—at three-fourths of 1 percent interest to be loaned to businessmen in the disaster areas of Alaska. But it is not necessary to resort to such a device since the evidence is abundantly clear that three-fourths of 1 percent loans are made in the foreign aid program directly to private industrial and business concerns, as I shall detail below.

Pursuing for a moment the economic effects of our three-fourths of 1 percent loans to foreign governments for industrial purposes, it is evident that when we gave (not loaned) for the development of fisheries resources \$848,000 to Taiwan, \$159,000 to Cambodia, \$907,198 to Indonesia, \$1,908,500 to Vietnam, \$5,351,000 to Korea, \$1,128,620 to India, \$1,355,670 to Pakistan, \$337,000 to Somalia, \$200,000 to Ivory Coast, \$195,000 to Nigeria, and \$161,971 to Peru, these dollars went directly to building canneries in those countries (canneries of exactly the same type as Pete Deveau of Kodiak, Alaska, is trying to rebuild and for which he is seeking a Small Business Administration loan) or to build fishing boats operated by individual fishermen (just like the fishing boats which were destroyed at Seward, Valdez, and Kodiak and for which Small Business Administration loans are now being sought by the fishermen of those Alaska communities).

But we do not have to rely on this obvious interpretation of what takes place in our foreign aid program for reasons why your position should be modified, for the foreign aid program is replete with instances of three-fourths of 1 percent per annum loans made directly to private concerns repayable in 40 years with a 10-year moratorium on repayment of principal.

Here are some examples of such three-fourths of 1 percent 40-year loans:

Afghanistan: Loan on March 23, 1963, of \$2,625,000 to the Ariana Afghan Airlines, 49 percent of the stock of which is owned by Pan American World Airways (a private U.S. corporation) and the major portion of the remainder of the stock owned by private Afghanistan banks;

India: Loan on July 28, 1962, of \$500,000 to the Tata Hydroelectric Power Sup-

ply Co., Ltd., and the Andra Valley Power Supply Co., Ltd. (both private companies) for the Trombay Thermal Power Station;

(b) Loan on September 25, 1962, of \$13,700,000 to the Tara Engineering & Locomotive Co., Ltd. (a private corporation) for expansion of a private truck plant;

(c) Loan on July 27, 1962, to NAPCO Bevel Gear of India, Ltd. (a private corporation) of \$2,300,000 for expansion of privately operated precision gear plant;

Egypt: Loan on April 26, 1962, of \$3 million to the Societe Misr Pour La Rayonna for the construction of a cellophane plant. This company was a privately owned company, but by nationalization decree of the Egyptian Government, a controlling interest in the company was nationalized;

Brazil: (a) Loan on March 6, 1963, to the Credito e Financiamento S. A. (a private corporation) of \$4 million for the establishment of a development bank;

(b) Loan on March 11, 1963, to the Companhia De Carbonos Coloidais (a private corporation) of \$2 million for a carbon black plant;

Mexico: Loan on June 30, 1962, to the Nacional Financiera, S. A. (a private corporation) of \$20 million for supervised agricultural credit.

These examples among many illustrate my point that there is no justification for this double standard and that borrowers in the disaster areas of Alaska should at least be treated equally with foreign borrowers under our foreign aid program (who have suffered no disaster) and that you should exercise the authority you have under the law and lower the interest rate on disaster small loans to three-fourths of 1 percent per annum.

The act sets no minimum rate of interest, only a maximum rate of 3 percent per annum. In conversations with me you indicated that you had sufficient authority and discretion to set the interest rate at any rate up to 3 percent per annum.

It should be borne in mind that when, for example, the loan of \$13,700,000 was made in India to the Tata Engineering & Locomotive Co., Ltd., on three-quarters-of-1-percent, 40-year-payment terms, there accrued no economic benefit to the American economy. All benefits—assuming adequate tax laws and collections—flowed to the economy of India and every other country benefiting by our three-quarters-of-1-percent loan. On the other hand, small business loans in the disaster areas of Alaska will generate jobs and tax dollars and will relieve the taxpayers of Alaska and the United States of the necessity of welfare and unemployment compensation payments.

I therefore renew my request to you that you modify the terms of disaster small loans in Alaska so as to put the Alaska borrower on terms of equality with those in foreign countries to whom we loan American tax dollars at three-fourths of 1 percent interest per year, with a 10-year moratorium on repayment of principal.

With best wishes, I am

Cordially yours,

ERNEST GRUENING,
U.S. Senator.

IS AN AMERICAN PROTECTORATE IN ASIA WORTH WAR?

During the delivery of Mr. THURMOND's speech,

Mr. MORSE. Mr. President, some days ago—almost 2 weeks ago, as I recall—I announced that I was at work on an analysis of international law principles vis-a-vis the unilateral military intervention of the United States in South Vietnam. I have completed that study; and at this time I propose to present my findings. This will be a major foreign